

COLLATERAL AGENCY, ACCOUNT AND ASSIGNMENT AGREEMENT

By and Among

**U.S. BANK NATIONAL ASSOCIATION,
as Collateral Agent**

CITY OF SAN DIEGO

SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

And

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

Dated as of November 14, 2018

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COLLATERAL AGENCY, ACCOUNT AND ASSIGNMENT AGREEMENT

THIS COLLATERAL AGENCY, ACCOUNT AND ASSIGNMENT AGREEMENT (this “Agreement”) is made and entered into as of November 14, 2018, by and among U.S. Bank National Association, as collateral agent (the “Collateral Agent”), the City of San Diego (the “Borrower” or the “City”), the San Diego Facilities and Equipment Leasing Corporation (the “Corporation”), the Public Facilities Financing Authority of the City of San Diego (the “Authority”), U.S. Bank National Association, as trustee (the “Trustee”) under the Indenture (defined below), and the United States Environmental Protection Agency, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency (the “WIFIA Lender”). In consideration of the mutual covenants and agreements set forth herein, the parties hereto covenant and agree as follows:

1. Definitions.

“Account” means an account established under Section 6 hereof.

“Agreement” means this Collateral Agency, Account and Assignment Agreement.

“Authority” means the Public Facilities Financing Authority of the City of San Diego, a joint exercise of powers agency established and existing under the laws of the State of California.

“Borrower” means the City of San Diego, a municipal corporation organized and existing under its Charter duly adopted pursuant to the provisions of the Constitution of the State of California.

“Charter” means the Charter of the City as it now exists or may hereafter be amended, and any new or successor Charter.

“City” has the meaning provided in the preamble hereto.

“Class” means any group of Holders that, collectively, hold a single series, tranche or other identifiable category of Obligations under a single credit agreement, loan agreement, note purchase agreement, indenture or other evidence of indebtedness.

“Collateral” means all of the interests of the Borrower in (a) the Net System Revenues and (b) the Funds, the Accounts and any subaccounts (other than the Parity Obligations Reserve Account and the Subordinated Obligations Reserve Account) including all amounts on deposit therein or credited thereto.

“Collateral Agent” means U.S. Bank National Association, a national banking association organized under the laws of the United States of America, as Collateral Agent under this Agreement.

“Corporation” means the San Diego Facilities and Equipment Leasing Corporation, a nonprofit public benefit corporation organized and existing under and by virtue of the laws of the State of California.

“Counterpart” means a Counterpart to this Agreement in the form of Exhibit C hereto.

“Fund” means a fund established under Section 6 hereof.

“Holder Representative” means any agent, trustee or other representative appointed by a Class of Holders to act on their behalf pursuant to the terms of an Issuing Instrument relating to the Obligations held by such Class of Holders.

“Holder” or “Holders” means the holders of or lenders under Secured Obligations including, without limitation, any such holder or lender that has executed this Agreement, but excluding the Corporation and the Authority, and any Person who becomes such a holder or lender under Secured Obligations including, without limitation, any Person that becomes a party to this Agreement pursuant to execution of a Counterpart; provided, however, that with respect to Sections 4(a), 7(b), 15, 18, 19, 21, 27, 30 and 31 of this Agreement “Holder” or “Holders” shall mean and refer to the Holder Representative for each Class that has a Holder Representative and not to the individual Holders of such Class.

“Indenture” means the Indenture, dated as of January 1, 2009, as amended and supplemented from time to time, by and between the Authority and the Trustee.

“Installment Payments” means the Installment Payments payable by the City under and pursuant to the MIPA and any supplement to the MIPA as well as any amounts payable by the City on any Obligations under and pursuant to any Issuing Instrument.

“Issuing Instrument” shall mean any indenture, trust agreement, loan agreement, lease, installment purchase agreement, including the MIPA and any supplement to the MIPA, or other instrument under which Obligations are issued or created.

“Maintenance and Operation Costs of the Water System” means (a) any Qualified Take or Pay Obligation, and (b) the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Water System, calculated in accordance with generally accepted accounting principles, including, without limitation, the costs of the purchase, delivery or storage of water, the reasonable expenses of maintenance and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the City attributable to the Water System, including the Project and the MIPA, salaries and wages of employees of the Water System, payments to such employees’ retirement systems (to the extent paid from System Revenues), overhead, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Obligations, including the MIPA, including any amounts required to be deposited in the Rebate Fund pursuant to a Tax Certificate, and fees and expenses payable to any Credit Provider (other than in repayment of a Credit Provider Reimbursement Obligation), but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor, (2) amortization of intangibles or other bookkeeping entries of a similar nature, (3) costs of capital additions, replacements, betterments, extensions or improvements to the Water System which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, (4) charges for the payment of principal of and interest on any

general obligation bond heretofore or hereafter issued for Water System purposes, and (5) charges for the payment of principal of and interest on any debt service on account of any Obligation on a parity with or subordinate to the Installment Payments.

“MIPA” means Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009, as amended and supplemented, by and between the City and Corporation.

“Net System Revenues” means, for any Fiscal Year, the System Revenues for such Fiscal Year, less the Maintenance and Operation Costs of the Water System for such Fiscal Year.

“Obligations” means (a) obligations of the City for money borrowed (such as bonds, notes or other evidences of indebtedness) or as installment purchase payments under any contract (including Installment Payments), or as lease payments under any financing lease (determined to be such in accordance with generally accepted accounting principles), the principal of and interest on which are payable from Net System Revenues; (b) obligations to replenish any debt service reserve funds with respect to such obligations of the City; (c) obligations secured by or payable from any of such obligations of the City; and (d) obligations of the City payable from Net System Revenues under (1) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (2) any contract to exchange cash flows or a series of payments, or (3) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest rate cap agreements.

“Parity Obligation Holders” means the holders of or lenders under Parity Obligations.

“Parity Obligation Interest Payment Date” means the date any interest is due and payable on any Parity Obligation.

“Parity Obligation Principal Payment Date” means the date any principal or mandatory sinking fund redemptions are due and payable with respect to any Parity Obligation.

“Parity Obligations” means Obligations the payment of which is secured by a first priority lien on and pledge of Net System Revenues pursuant to MIPA Section 5.01(a) and Section 5 hereof.

“Parity Obligations Interest Account” means the account of that name established and maintained by the Collateral Agent under Section 6 hereof.

“Parity Obligations Payment Fund” means the fund of that name established and maintained by the Collateral Agent under Section 6 hereof.

“Parity Obligations Principal Account” means the account of that name established and maintained by the Collateral Agent under Section 6 hereof.

“Parity Obligations Reserve Account” means the account of that name established and maintained by the Collateral Agent under Section 6 hereof.

“Parity Obligations Reserve Fund” means each reserve fund established under an Issuing Instrument and held by a Holder Representative or other trustee, fiscal agent or Person

designated by an Issuing Instrument to establish and maintain a reserve account or fund for the benefit of the Holders of Parity Obligations issued or incurred under such Issuing Instrument.

“Payment Date” means each date that is a Parity Obligation Interest Payment Date, a Parity Obligation Principal Payment Date, a Subordinated Obligation Interest Payment Date or a Subordinated Obligation Principal Payment Date.

“Permitted Investments” means the investments set forth in Exhibit A hereto.

“Person” means any corporation, partnership, trust, limited liability company, financial institution, insurance company, pension fund, mutual fund, government agency or natural person.

“Pro Rata Amount” means, with respect to any payment to be made to a Holder under Section 7(b) hereof from funds held by the Collateral Agent in the applicable Account, an amount equal to the total amount of funds held by the Collateral Agent in such Account and available to make such payment to all Holders entitled to receive such payment multiplied by the quotient of the amount of such payment due and payable on such date to such Holder divided by the amount of such payment due and payable on such date to all Holders entitled to receive such payment.

“Required Holders” has the meaning provided in Section 8 hereof.

“Reserve Requirement” means, with respect to each Parity Obligations Reserve Fund (if any) and each Subordinated Obligations Reserve Fund (if any), the amount required to be maintained therein by the Issuing Instrument under which such Parity Obligations Reserve Fund or Subordinated Obligations Reserve Fund is mandated and established.

“Secured Obligations” means Parity Obligations and/or Subordinated Obligations, as the context requires.

“Subordinated Obligation Holders” means the holders of or lenders under Subordinated Obligations.

“Subordinated Obligation Interest Payment Date” means the date any interest is due and payable on any Subordinated Obligation.

“Subordinated Obligation Principal Payment Date” means the date any principal or mandatory sinking fund redemptions are due and payable with respect to any Subordinated Obligation.

“Subordinated Obligations” means Obligations the payment of which is secured by a second priority lien on and pledge of Net System Revenues that is junior and subordinate to the lien on and pledge of Net System Revenues securing Parity Obligations pursuant to MIPA Section 5.01(b) and Section 5 hereof.

“Subordinated Obligations Interest Account” means the account of that name established and maintained by the Collateral Agent under Section 6 hereof.

“Subordinated Obligations Payment Fund” means the fund of that name established and maintained by the Collateral Agent under Section 6 hereof.

“Subordinated Obligations Principal Account” means the account of that name established and maintained by the Collateral Agent under Section 6 hereof.

“Subordinated Obligations Reserve Account” means the account of that name established and maintained by the Collateral Agent under Section 6 hereof.

“Subordinated Obligations Reserve Fund” means each reserve fund established under an Issuing Instrument and held by a Holder Representative or other trustee, fiscal agent or Person designated by an Issuing Instrument to establish and maintain a reserve account or fund for the benefit of the Holders of Subordinated Obligations issued or incurred under such Issuing Instrument.

“System Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System, including, without limiting the generality of the foregoing:

(a) all income, rents, rates, fees, charges, or other moneys derived by the City from the water services or facilities, and commodities or byproducts, including hydroelectric power, sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, and including, without limitation, investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Water System by or pursuant to law, and earnings on any Reserve Fund for Obligations, but only to the extent that such earnings may be utilized under the Issuing Instrument for the payment of debt service for such Obligations;

(b) standby charges and Capacity Charges* derived from the services and facilities sold or supplied through the Water System;

(c) the proceeds derived by the City directly or indirectly from the lease of a part of the Water System;

(d) any amount received from the levy or collection of taxes which are solely available and are earmarked for the support of the operation of the Water System;

(e) amounts received under contracts or agreements with governmental or private entities and designated for capital costs for the Water System*; and

(f) grants for maintenance and operations received from the United States of America or from the State of California; provided, however, that System Revenues shall not include: (1) in all cases, customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City; and (2) the proceeds of borrowings; but

* These items of System Revenue may not be used to pay Maintenance and Operation Costs of the Water System.

(g) notwithstanding the foregoing, there shall be deducted from System Revenues any amounts transferred into a Rate Stabilization Fund as contemplated by MIPA Section 6.08(b), and any amounts transferred from current System Revenues to the Secondary Purchase Fund as contemplated by MIPA Section 6.08(c), and there shall be added to System Revenues any amounts transferred out of such Rate Stabilization Fund or the Secondary Purchase Fund to pay Maintenance and Operation Costs of the Water System.

“Trustee” means U.S. Bank National Association, as successor trustee under the Indenture.

“Water System” means any and all facilities, properties, improvements and works at any time owned, controlled or operated by the City as part of the public utility system of the City for water purposes, for the development, obtaining, conservation, production, storage, treatment, transmission, furnishing and distribution of water and its other commodities or byproducts for public and private use (whether located within or without the City), and any related or incidental operations designated by the City as part of the Water System, including reclaimed and re-purified water.

“Water Utility Fund” means the fund by that name established under the Charter and held by the Borrower.

“WIFIA Lender” has the meaning provided in the preamble hereto.

2. Purpose. The Borrower and the Holders desire to establish, for the sole benefit of the Holders, a collateral agency arrangement in accordance with the laws of the State of California for the deposit of Net System Revenues in collateral accounts established hereunder, for the purposes set forth herein, including, the payment of amounts due under the Secured Obligations. Except as otherwise defined herein, all terms defined in the MIPA shall have the same meaning for the purposes of this Agreement as in the MIPA.

3. Appointment.

(a) U.S. Bank National Association is hereby appointed as the collateral agent for the benefit of the Holders.

(b) The Collateral Agent accepts such appointment and agrees to act as the Collateral Agent in accordance with this Agreement and the MIPA.

(c) Each of the Holders hereby authorizes and directs the Collateral Agent to act in strict accordance with the terms of this Agreement and the MIPA. Subject to the terms hereof, the Collateral Agent agrees, for the benefit of the Holders, to administer and enforce this Agreement as Collateral Agent, and, among other remedies, to foreclose upon, collect and dispose of the Collateral and to apply the proceeds therefrom, for the benefit of the Holders, as provided herein, and otherwise to perform its duties and obligations as the Collateral Agent hereunder in accordance with the terms hereof.

(d) The Collateral Agent shall be fully justified in failing or refusing to take any action hereunder unless the Collateral Agent shall first receive written direction from the

Required Holders and is indemnified by the Borrower to its reasonable satisfaction, including the indemnification from the Borrower pursuant to Section 20(e) hereof, from and against any liability or expense related thereto. Subject to the foregoing, the Collateral Agent shall act under this Agreement in accordance with any written directions by the Required Holders. The Collateral Agent shall not incur any liability for any determination made or instruction or direction given by the Required Holders.

(e) The Collateral Agent may conclusively rely upon the information provided to it by the Borrower under Section 4(a)(vi) regarding the identity of the Holders unless a different Holder is identified in writing to the Collateral Agent by the Borrower.

4. Required Information.

(a) Promptly following the appointment of the Collateral Agent, upon the incurrence of each subsequent Obligation, and upon any change in the following, the Borrower shall provide in writing to the Collateral Agent (which shall provide copies of the same to each Holder that has requested copies thereof) the following information:

- (i) copies of the Issuing Instrument and related documents for each Obligation;
- (ii) a schedule of Payment Dates for each Obligation;
- (iii) a schedule of payment amounts for each Obligation;
- (iv) the outstanding principal amount of each Obligation;
- (v) the designation of each Obligation as a Parity Obligation or a Subordinated Obligation;
- (vi) the names and payment instructions of each Holder with respect to each Obligation; and
- (vii) the Reserve Requirement for each Parity Obligations Reserve Fund and each Subordinated Obligations Reserve Fund, if any.

(b) Not later than two (2) business days before each Payment Date, the Borrower shall provide in writing to the Collateral Agent the following information:

- (i) the aggregate amount of interest payable on each Parity Obligation on the upcoming Payment Date;
- (ii) the aggregate amount of principal or mandatory sinking fund redemption payable on each Parity Obligation on the upcoming Payment Date;
- (iii) the aggregate amount of interest payable on each Subordinated Obligation on the upcoming Payment Date;

- (iv) the aggregate amount of principal or mandatory sinking fund redemption payable on each Subordinated Obligation on the upcoming Payment Date;
- (v) the amount of interest payable to each Holder or Holder Representative of each Parity Obligation on the upcoming Payment Date;
- (vi) the amount of principal or mandatory sinking fund redemption payable to each Holder or Holder Representative of each Parity Obligation on the upcoming Payment Date;
- (vii) the amount of interest payable to each Holder or Holder Representative of each Subordinated Obligation on the upcoming Payment Date;
- (viii) the amount of principal or mandatory sinking fund redemption payable to each Holder or Holder Representative of each Subordinated Obligation on the upcoming Payment Date;
- (ix) copies of any invoice or statement received by the Borrower with respect to any of the foregoing;
- (x) written direction to transfer amounts to the Person maintaining any Parity Obligations Reserve Fund or any Subordinated Obligations Reserve Fund in order to restore the same to its Reserve Requirement; and
- (xi) in the event of any anticipated deficiency in the transfers and payments to be made by the Collateral Agent under Section 7, the calculation of the Pro Rata Amounts.

5. Lien and Pledge.

(a) All Parity Obligations, including Parity Installment Payment Obligations, shall be secured by a first priority lien on and pledge of Net System Revenues. The City does hereby grant to the Collateral Agent, for the benefit of the Holders of Parity Obligations, a first priority lien on and pledge of Net System Revenues to secure Parity Obligations. All Parity Obligations shall be of equal rank with each other without preference, priority or distinction of any Parity Obligations over any other Parity Obligations; provided that a Parity Obligation that by its terms under certain circumstances can require the full amount of the Parity Obligation to become payable in installments over not less than five years from the occurrence of the triggering event shall not be deemed to create any impermissible preference, priority or distinction as to lien or otherwise of such Parity Obligation over any other Parity Obligation.

(b) All Subordinated Obligations, including Subordinated Installment Payment Obligations, shall be secured by a second priority lien on and pledge of Net System

Revenues that is junior and subordinate to the lien on and pledge of Net System Revenues securing Parity Obligations. The City does hereby grant to the Collateral Agent, for the benefit of the Holders of Subordinated Obligations, a second priority lien on and pledge of Net System Revenues to secure Subordinated Obligations. All Subordinated Obligations shall be of equal rank with each other without preference, priority or distinction of any Subordinated Obligations over any other Subordinated Obligations; provided that a Subordinated Obligation that by its terms under certain circumstances can require the full amount of the Subordinated Obligation to become payable in installments over not less than five years from the triggering event shall not be deemed to create any impermissible preference, priority or distinction as to lien or otherwise of such Subordinated Obligation over any other Subordinated Obligation; and provided further that a Subordinated Obligation that by its terms under certain circumstances must be treated as, or becomes, a Parity Obligation shall not be deemed to create any impermissible preference, priority or distinction as to lien or otherwise of such Subordinated Obligation over any other Subordinated Obligation.

(c) The City does hereby grant to the Collateral Agent, for the benefit of the Holders of Parity Obligations, a first priority lien on and pledge of the Funds and Accounts established pursuant to Section 6 below and any and all amounts held therein, or credited thereto, to secure the Parity Obligations; provided that any amounts held in or credited to the Parity Obligations Reserve Account shall be held solely for the benefit of and payment to the Holders of the Class of Obligations for which Parity Obligations Reserve Funds have been established pursuant to the Issuing Instrument under which such Class of Obligations was created. The City does hereby grant to the Collateral Agent, for the benefit of the Holders of Subordinated Obligations, a second priority lien on and pledge of the Funds and Accounts established pursuant to Section 6 below and any and all amounts held therein, or credited thereto, to secure the Subordinated Obligations; provided that any amounts held in or credited to the Subordinated Obligations Reserve Account shall be held solely for the benefit of and payment to the Holders of the Class of Obligations for which Subordinated Obligations Reserve Funds have been established pursuant to the Issuing Instrument under which such Class of Obligations was created.

(d) The Collateral Agent may, but shall not be obligated to, take such action as it deems necessary to perfect or continue the perfection of the security interests on the Collateral held for the benefit of the Holders. The Collateral Agent shall not release any of the Collateral except upon payment in full of all Secured Obligations.

6. Establishment of Funds and Accounts. There are hereby established in the custody of the Collateral Agent the following Funds and Accounts to be held and maintained by the Collateral Agent for the benefit of the Holders, in accordance with this Agreement:

(a) the Parity Obligations Payment Fund, in which there shall be established:

- (i) the Parity Obligations Interest Account;
- (ii) the Parity Obligations Principal Account; and

- (iii) the Parity Obligations Reserve Account; and
- (b) the Subordinated Obligations Payment Fund, in which there shall be established:
 - (i) the Subordinated Obligations Interest Account;
 - (ii) the Subordinated Obligations Principal Account; and
 - (iii) the Subordinated Obligations Reserve Account.

The Collateral Agent is further directed to establish within the Funds and Accounts established above such accounts and subaccounts as may be requested in writing by the Borrower for each Class of Obligations. All funds on deposit in the Accounts and the subaccounts therein shall remain uninvested; provided that upon written direction from the Borrower to the Collateral Agent amounts held overnight may be invested in Permitted Investments until applied pursuant to Sections 7 and 9 hereof. Earnings on any investment amounts held in each Account hereunder shall be credited to such Account. The Collateral Agent shall not be liable for any loss on any investments of amounts held hereunder or for complying with any written direction concerning investments which the Collateral Agent reasonably believes to be authorized by the Borrower.

7. Application of Net System Revenues and Other Amounts.

(a) The Borrower shall collect and deposit all System Revenues when and as received in the Water Utility Fund and shall make each of the transfers of Net System Revenues from the Water Utility Fund to the Collateral Agent for deposit in the Accounts set forth in Section 6 above pursuant to Section 5.02 of the MIPA.

(b) The Collateral Agent shall make the following withdrawals, transfers and payments from the Accounts in the amounts, at the times and for the purposes specified in this Section 7(b).

(i) Parity Obligations Interest Account. On each Parity Obligation Interest Payment Date and on each other date on which the following amounts shall be due and payable, the Collateral Agent shall pay to the Holders of Parity Obligations, from the Parity Obligations Interest Account, the interest due and payable, including any amounts overdue and payable, on such date to Holders of Parity Obligations; provided that if the amount on deposit in the Parity Obligations Interest Account is insufficient therefor, the Collateral Agent shall pay each Parity Obligation Holder a Pro Rata Amount.

(ii) Parity Obligations Principal Account. On each Parity Obligation Principal Payment Date and on each other date on which the following amounts shall be due and payable, the Collateral Agent shall pay to the Holders of Parity Obligations, from the Parity Obligations Principal Account, the principal and mandatory sinking fund redemptions due and payable, including any amounts overdue and payable, on such date to Holders of Parity Obligations; provided that if the amount on deposit in the Parity

Obligations Principal Account is insufficient therefor, the Collateral Agent shall pay each Parity Obligation Holder a Pro Rata Amount.

(iii) Parity Obligations Reserve Account. On each Parity Obligation Interest Payment Date, the Collateral Agent shall transfer to the holder of each Parity Obligations Reserve Fund (if any) the amount set forth in a written direction of the Borrower, which shall be no more than the amount necessary so that the balance therein equals the applicable Reserve Requirement; provided that if the amount on deposit in the Parity Obligations Reserve Account is insufficient therefor, the Collateral Agent shall transfer to each holder of a Parity Obligations Reserve Fund a Pro Rata Amount; and provided further that in the event of any draw on a Reserve Fund Credit Facility held in any Parity Obligations Reserve Fund, there shall be deemed a deficiency in such Parity Obligations Reserve Fund until the amount of the Reserve Fund Credit Facility is restored to its pre-draw amount.

(iv) Subordinated Obligations Interest Account. On each Subordinated Obligation Interest Payment Date and on each other date on which the following amounts shall be due and payable, the Collateral Agent shall pay to the Holders of Subordinated Obligations, from the Subordinated Obligations Interest Account, the interest due and payable, including any amounts overdue and payable, on such date to Holders of Subordinated Obligations; provided that if the amount on deposit in the Subordinated Obligations Interest Account is insufficient therefor, the Collateral Agent shall pay each Subordinated Obligation Holder a Pro Rata Amount.

(v) Subordinated Obligations Principal Account. On each Subordinated Obligation Principal Payment Date and on each other date on which the following amounts shall be due and payable, the Collateral Agent shall pay to the Holders of Subordinated Obligations, from the Subordinated Obligations Principal Account, the principal and mandatory sinking fund redemptions due and payable, including any amounts overdue and payable, on such date to Holders of Subordinated Obligations; provided that if the amount on deposit in the Subordinated Obligations Principal Account is insufficient therefor, the Collateral Agent shall pay each Subordinated Obligation Holder a Pro Rata Amount.

(vi) Subordinated Obligations Reserve Account. On each Subordinated Obligation Interest Payment Date, the Collateral Agent shall transfer to the holder of each Subordinated Obligations Reserve Fund (if any) the amount set forth in a written direction of the Borrower, which shall be no more than the amount necessary so that the balance therein equals the applicable Reserve Requirement; provided that if the amount on deposit in the Subordinated Obligations Reserve Account is insufficient therefor, the Collateral Agent shall transfer to each holder of a Subordinated Obligations Reserve Fund a Pro Rata Amount; and provided further that in the event of any draw on a Reserve Fund Credit Facility held in any Subordinated Obligations Reserve Fund, there shall be deemed a deficiency in such Subordinated Obligations Reserve Fund until the amount of the Reserve Fund Credit Facility is restored to its pre-draw amount.

(c) For the avoidance of doubt nothing in this Agreement or the MIPA affects or diminishes the Holders' rights and remedies under their respective Issuing Instruments, including any right in such Issuing Instrument to accelerate amounts due under the applicable Secured Obligations.

8. Remedies. During the continuance of an Event of Default under the MIPA, (including, without limitation, any Event of Default specified in any Supplement, Authorizing Ordinance or Issuing Instrument) the Collateral Agent shall upon the written direction of the Holders (or, in the case of any Class that has a Holder Representative, the Holder Representative on behalf of such Class) of 25% or more of the aggregate principal amount of all Series of Parity Installment Obligations Outstanding, or after all Parity Installment Obligations have been paid in full, the Holders (or, in the case of any Class that has a Holder Representative, the Holder Representative on behalf of such Class) of 25% or more of the aggregate principal amount of all Series of Subordinated Obligations Outstanding (the "Required Holders"), voting collectively as a single class, by notice in writing to the City, declare the entire unpaid principal amount of all Series of Parity Installment Obligations (or all Subordinated Obligations, as the case may be) and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein or in the MIPA to the contrary notwithstanding; provided, that with respect to a Series of Parity Installment Obligations (or Series of Subordinated Obligations, as the case may be) which is credit enhanced by a Credit Support Instrument, acceleration shall not be effective unless the declaration is consented to by the related Credit Provider. The foregoing provisions, however, are subject to the condition that if at any time after the entire principal amount of all Parity Installment Obligations (or all Subordinated Obligations, as the case may be) and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Collateral Agent a sum sufficient to pay the unpaid principal amount of all such Parity Installment Obligations (or all such Subordinated Obligations, as the case may be) and the unpaid payments of any other Parity Obligations (or Subordinated Obligations, as the case may be) due prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable thereto in accordance with their terms, and the reasonable fees and expenses of the Collateral Agent including, without limitation fees and expenses of the attorneys, agents and advisors of the Collateral Agent, and any and all other defaults known to the Collateral Agent (other than in the payment of the entire principal amount of the unpaid Parity Installment Obligations (or unpaid Subordinated Obligations, as the case may be) and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Collateral Agent or provision deemed by the Collateral Agent to be adequate shall have been made therefor, then and in every such case the Collateral Agent, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Subject to this Section, the Holders of Subordinated Obligations may enforce the provisions of the MIPA or the applicable Issuing Instrument for their benefit by appropriate legal proceedings. The payment of Subordinated Obligations will be subordinated in right of payment to payment of the Parity Obligations (except for any payment in respect of Subordinated Obligations from the Reserve Fund securing such Subordinated Obligations). Upon the

occurrence and during the continuance of any Event of Default, Holders of Parity Obligations will be entitled to receive payment thereof in full before the Holders of Subordinated Obligations are entitled to receive payment thereof (except for any payment in respect of Subordinated Obligations from the Reserve Fund securing such Subordinated Obligations) and the Holders of the Subordinated Obligations will become subrogated to the rights of the Holders of Parity Obligations to receive payments with respect thereto.

9. Application of Net System Revenues Upon Acceleration. After the date of the declaration of acceleration by the Collateral Agent as provided in Section 8 hereof, the City shall transfer, promptly upon receipt and after payment of Maintenance and Operation Costs of the Water System then due and payable, all Net System Revenues from the Water Utility Fund to the Collateral Agent, and the Collateral Agent shall promptly apply such Net System Revenues in the following order:

(a) First, to the payment of the fees, costs and expenses of the Collateral Agent, if any, in carrying out the provisions of this Agreement, including reasonable compensation to its agents, accountants and counsel;

(b) Second, to the payment of the entire principal amount of the unpaid Parity Installment Obligations and the unpaid principal amount of all other Parity Obligations and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable thereto in accordance with their respective terms. In the event there are insufficient Net System Revenues to pay the entire principal amount of and accrued interest on all Parity Obligations, then accrued interest shall first be paid and any remaining amount shall be paid on account of principal, and in the event there are insufficient Net System Revenues to fully pay either interest or principal in accordance with the foregoing, then payment shall be prorated within a priority based upon the total amounts due in that priority; and

(c) Third, to the payment of the entire principal amount of the unpaid Subordinated Obligations and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable thereto in accordance with their respective terms. In the event there are insufficient Net System Revenues to pay the entire principal amount of and accrued interest on all Subordinated Obligations, then accrued interest shall first be paid and any remaining amount shall be paid on account of principal, and in the event there are insufficient Net System Revenues to fully pay either interest or principal in accordance with the foregoing, then payment shall be prorated within a priority based upon the total amounts due in that priority.

10. Other Remedies of the Collateral Agent. The Collateral Agent (acting at the direction of the Required Holders) shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce, on behalf of the Holders, the rights of the Holders against the City or any councilmember, officer or employee thereof, and to compel the City or any such councilmember, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its councilmembers, officers and employees to account as the trustee of an express trust.

11. Non-Waiver.

(a) Nothing in this Agreement shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Installment Payments to the Collateral Agent at the respective due dates or upon prepayment from the Net System Revenues and the other funds herein committed for such payment, or shall affect or impair the right of the Collateral Agent, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

(b) A waiver of any default or breach of duty or contract by the Collateral Agent shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies of the Collateral Agent or the Holders on any such subsequent default or breach of duty or contract. No delay or omission by the Collateral Agent to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Collateral Agent by the Law or by this Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Collateral Agent.

(c) If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Collateral Agent, the City and the Collateral Agent shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

12. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Collateral Agent is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

13. Assignment by Corporation. The Corporation hereby irrevocably and absolutely assigns, transfers and conveys to the Collateral Agent and any successor thereto all of the rights, privileges, duties and obligations of the Corporation under Article VIII of the MIPA.

14. Rights of Corporation. Notwithstanding anything to the contrary set forth herein, the MIPA or any other Issuing Instrument, from and after the date of this Agreement, the Corporation shall not have any rights, pursuant to this Agreement, the MIPA or any other Issuing Instrument, (a) as a grantee of a pledge of Net System Revenues, (b) to accelerate or otherwise declare any Obligations immediately due and payable, (c) to exercise any remedies by or on behalf of the Holders (or Owners) or otherwise with respect to the Net System Revenues following an Event of Default or (d) to receive and/or apply any Net System Revenues to the

payment of any Obligations following an Event of Default, and any provisions purporting to provide such rights to the Corporation shall be null and void. The City purchases projects from the Corporation under the MIPA and each MIPA Supplement in consideration of Installment Payments by the City to the Corporation. The Corporation unconditionally, irrevocably and absolutely assigns and transfers to the Authority its rights to such Installment Payments pursuant to Assignment Agreements. Nothing herein shall nullify or adversely affect any past, present or future assignment or transfer of the rights of the Corporation to receive Installment Payments under the MIPA or any MIPA Supplement to the Authority or any pledge, assignment or transfer of such rights by the Authority to the Trustee.

15. Statements. The Collateral Agent shall furnish monthly statements to the Borrower and, upon written request, to the Holders at the addresses provided by such Holders to the Collateral Agent for this purpose, including the addresses specified in the Section entitled "Notices to the Parties," no later than the fifth day of the following calendar month, which shall set forth in reasonable detail the account balances, receipts, disbursements, transfers, investment transactions, and accruals for each of the Accounts during such month.

16. Compensation. The Collateral Agent's fees shall be paid by the Borrower in accordance with the Fee Schedule attached hereto as Exhibit B, as such Fee Schedule may be amended with the written agreement of the Collateral Agent and the Borrower. The Collateral Agent shall submit invoices to the Borrower at the address specified in the Section entitled "Notices to the Parties." Following receipt of such invoices, the Borrower shall submit payment to the Collateral Agent at the address specified in the Section entitled "Notices to the Parties." For the avoidance of doubt, neither any Holder, nor any official, employee or agent thereof, shall be liable or otherwise responsible for any of the Collateral Agent's fees or any indemnification or other obligation to the Collateral Agent hereunder.

17. Termination. This Agreement shall terminate upon the payment in full of all Obligations. Upon termination, any amount remaining in all Funds, Accounts and subaccounts hereunder shall immediately be transferred by the Collateral Agent to the Borrower or its assignees.

18. Resignation and Removal. The Collateral Agent may at any time resign by giving at least thirty (30) days written notice to the Borrower and each Holder, and the Collateral Agent may be removed by the Borrower and all Holders at any time with or without cause, but neither such resignation nor removal shall take effect until the appointment of a successor Collateral Agent. In the event of any resignation or removal of the Collateral Agent, a successor Collateral Agent shall be appointed by an instrument in writing executed by the Collateral Agent, the Borrower and each Holder that is a party to this Agreement. Such successor Collateral Agent shall indicate its acceptance of such appointment by an instrument in writing delivered to the Borrower and each Holder. Upon delivery of such instrument, such successor Collateral Agent shall, without any further act or deed, be fully vested with all the powers, rights, duties and obligations of the Collateral Agent hereunder and the predecessor Collateral Agent shall deliver all moneys and securities held by it hereunder to such successor Collateral Agent.

19. Assignment by Collateral Agent. The services to be performed by the Collateral Agent are personal in character and neither this Agreement nor any duties or obligations

hereunder may be assigned or delegated by the Collateral Agent unless first approved by the Borrower and each Holder that is a party to this Agreement by written instrument executed and approved in the same manner as this Agreement.

20. Liability of the Collateral Agent.

(a) The Collateral Agent incurs no liability to make any disbursements pursuant to this Agreement except from funds held in the Accounts. At all times, whether or not a default by the Borrower shall have occurred and be continuing, the Collateral Agent shall perform only such actions as are expressly set forth herein, and no implied duties or responsibilities shall be imposed upon the Collateral Agent. The Collateral Agent may consult with counsel and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith reliance upon and in accordance with such advice or opinion of counsel.

(b) The Collateral Agent shall not be liable with respect to any action taken, suffered or omitted by it in good faith: (i) reasonably believed by it to be authorized or within the discretion or rights or powers conferred on it by this Agreement; or (ii) in accordance with any written direction or request of the Borrower or the Holders. In the absence of willful misconduct or gross negligence on its part, the Collateral Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any requisition, note, notice, resolution, consent, facsimile, certificate, affidavit, letter, telegram, teletype message, statement, order or other document which appears on its face to be genuine and correct and to have been signed or sent by the proper person or persons.

(c) No provisions of this Agreement shall require the Collateral Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its authority. The Collateral Agent shall not be liable for losses on investments made at the direction of the Borrower or otherwise made in accordance with this Agreement. Before taking any action hereunder, the Collateral Agent shall have the right, but not the obligation, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that required as a condition to such action, deemed desirable by the Collateral Agent in establishing the necessity or appropriateness of such action. The Collateral Agent may rely and be protected in relying on any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party, and shall not be required to make any investigation into the facts or matters contained therein. If it chooses to make such inquiry, the Collateral Agent shall have access to the books, records or premises of the Borrower, personally or through agents of the Collateral Agent or attorneys, at any reasonable time upon reasonable notice.

(d) The Collateral Agent shall bear no responsibility for the recitals contained herein. The Collateral Agent may execute any of its powers or perform its duties through attorneys, agents or receivers. The Collateral Agent shall be under no obligation to exercise any of the rights or powers vested in the Collateral Agent by this Agreement unless the Collateral Agent has received from the Borrower security or indemnity against the costs, expenses and liabilities which might be incurred by the Collateral Agent in compliance with such request or direction. In acting as Collateral Agent hereunder, the Collateral Agent acts solely in its capacity as Collateral Agent hereunder and not in its individual or personal capacity. The Collateral Agent shall be entitled to conclusively rely and act upon and in compliance with the written instructions or directions of the Borrower or the Holders, as applicable.

(e) To the extent permitted by law, the Borrower hereby agrees to indemnify the Collateral Agent and its respective officers, employees and agents against any loss, liability, action, suit, judgment, demand or cost (each a "Liability") and to pay or reimburse the Collateral Agent for any expense (including counsel fees and disbursements and, allocated costs of in-house counsel) which may be incurred by the Collateral Agent or any officer, employee or agent thereof by reason of, or in connection with, the Collateral Agent's appointment and its duties as Collateral Agent, except such Liability as shall result from Collateral Agent's gross negligence or willful misconduct in the performance of its other obligations and duties hereunder. The obligation of the Borrower under this paragraph shall survive the resignation or removal of the Collateral Agent.

(f) In no event shall the Collateral Agent be liable for incidental, indirect, special, consequential or punitive damages or penalties (including, but not limited to lost profits), even if the Collateral Agent has been advised of the likelihood of such damages or penalty and regardless of the form of action, except in the case of its own negligence or willful misconduct. The Collateral Agent shall not be responsible for delays or failures in performance resulting from acts beyond its control, including without limitation, acts of God, strikes, lockouts, riots, acts of war or terror, epidemics, fire, communication line failures, computer viruses, intrusions or attacks, power failures, earthquakes or other disasters.

21. Notices to the Parties. Unless otherwise indicated elsewhere in this Agreement, all notices, requests and communications sent by the parties shall be (a) in writing, (b) effective as provided below and (c) given by (i) nationally recognized courier service, (ii) hand delivery, or (iii) email, and shall be addressed as follows:

If to the Borrower:

City of San Diego
City Administration Bldg.
202 C Street, Mail Station 9B
San Diego, California 92101
Attn: Chief Financial Officer

With a copy to:	<p>City of San Diego City Administration Bldg. 202 C Street, Mail Station 7B San Diego, California 92101 Attn: Debt Management Director</p>
If to the Corporation:	<p>San Diego Facilities and Equipment Leasing Corporation c/o Office of the City Attorney 1200 Third Street, Suite 1620, Mail Station 59 San Diego, California 92101 Attn: Deputy City Attorney for Finance and Disclosure</p>
With a copy to:	<p>City of San Diego City Administration Building 202 C Street, Mail Station 9A San Diego, California 92101 Attn: Chief Financial Officer</p>
If to the Authority:	<p>Public Facilities Financing Authority of the City of San Diego c/o Office of the City Attorney 1200 Third Street, Suite 1620, Mail Station 59 San Diego, California 92101 Attn: Deputy City Attorney for Finance and Disclosure</p>
With a copy to:	<p>City of San Diego City Administration Building 201 C Street, Second Floor San Diego, California 92101 Attn: City Clerk</p>
If to the Collateral Agent:	<p>U.S. Bank National Association 633 West Fifth Street, 24th Floor Los Angeles, CA 90071 Attention: Global Corporate Trust</p>
If to the Trustee:	<p>U.S. Bank National Association 633 West Fifth Street, 24th Floor Los Angeles, CA 90071 Attention: Global Corporate Trust</p>

If to the EPA:

United States Environmental Protection Agency
WIFIA Director
WJC-W 6201A
1200 Pennsylvania Avenue NW
Washington, DC 20460
Attention: Jorianne Jernberg
Email: WIFIA@epa.gov

Written communications to any other Holder shall be addressed to such Holder at the address provided by any Holder to the Collateral Agent for such purpose including, without limitation, the address set forth in the Counterpart, if any, signed by such Holder.

Each such notice, request or communication shall be effective (i) if delivered by hand or by nationally recognized courier service, when delivered at the address specified in this Section 21 (or in accordance with the latest unrevoked written direction from the receiving party) and (ii) if given by email, when such email is delivered to the address specified in this Section 21 (or in accordance with the latest unrevoked written direction from the receiving party).

22. Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, administrators and assigns, subject to Section 19 above in the case of the Collateral Agent.

23. Merger of Prior Agreements. The parties to this Agreement intend that this Agreement (including all of the attached exhibits, which are incorporated into this Agreement by reference) shall be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous oral or written agreements or understandings. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including, without limitation, prior drafts or changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Agreement.

24. Interpretation of this Agreement. The article, section and other headings of this Agreement are for convenience of reference only and shall not affect the meaning or interpretation of any provision contained herein. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa, and each gender reference shall be deemed to include the other and the neuter. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein. In addition, each party has been represented by experienced and knowledgeable legal counsel. Accordingly, any rule of law (including California Civil Code Section 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purposes of the parties and this Agreement.

25. Non-Liability of Borrower Officials, Employees and Agents. Notwithstanding anything to the contrary in this Agreement, no council member, officer, employee or agent of the Borrower shall be personally liable to the Collateral Agent, its successors and assigns, in the event of any default or breach by Borrower or for any amount which may become due to the

Collateral Agent, its successors and assigns, or for any obligation of the Borrower under this Agreement.

26. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

27. Amendment. This Agreement may not be amended or otherwise modified except by a written instrument executed by (i) the Collateral Agent, the Borrower, the Corporation, the Authority and each Holder that is a party to this Agreement, including any Holder that becomes a party through execution of a Counterpart; and (ii) each other Holder; provided that the consent of any Holder not party hereto will not be required for any amendment or modification to (a) cure any ambiguity, defect or inconsistency, (b) make any change that would provide additional rights or benefits to all Holders, (c) make, complete or confirm any grant of Collateral for the benefit of all Holders, (d) correct any typographical errors, drafting mistakes or other similar mistakes that do not modify the rights, benefits and obligations of the parties hereto, (e) provide for additional obligations of the Borrower or liens on the Collateral securing such obligations to the extent permitted by the terms of the Secured Obligations or (f) upon receipt by the Collateral Agent of an opinion of counsel selected by the Borrower and addressed to the Collateral Agent and the Borrower to the effect that such amendment or modification will not materially adversely affect the interests of the Holders that are not parties to this Agreement.

28. Governing Law. This Agreement shall be construed in accordance with the laws of the State of California.

29. Counterparts. This Agreement may be executed in several counterparts (including Counterparts), each one of which shall constitute an original and all collectively shall constitute but one instrument.

30. Additional Parties. Any Holder may become a party to this Agreement upon (i) the execution and delivery by such Holder to the Collateral Agent and the Borrower of a Counterpart and (ii) the acknowledgment and acceptance of such Counterpart by the Collateral Agent and the Borrower. Thereupon, such Holder shall be as fully a party to this Agreement as if such Holder were an original signatory to this Agreement. The Collateral Agent shall distribute copies of each executed, acknowledged and accepted Counterpart to each Holder that is a party to this Agreement and each other Holder that has requested such copies at the address provided to the Collateral Agent for such purpose, including such addresses as are specified in the Section entitled "Notices to the Parties."

31. Third Party Beneficiaries. All undertakings, agreements, representations and warranties contained in this Agreement are solely for the benefit of each Holder, including without limitation the Holders executing this Agreement and any additional Holder that becomes a party hereto pursuant to Section 30. Any Holder not executing this Agreement or a Counterpart is nonetheless entitled to the full rights, privileges and benefits hereof to the same extent as if such Holder were a signatory hereof and shall be a third party beneficiary of this Agreement. There are no other Persons that are intended to be benefited in any way by this Agreement.

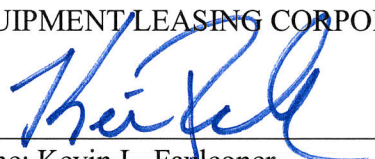
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IN WITNESS WHEREOF, the Borrower, the Corporation, the Authority, the Trustee, the WIFIA Lender and the Collateral Agent have caused this Agreement to be executed by their duly authorized representatives.

CITY OF SAN DIEGO

By: 
Name: Rolando Charvel
Title: Chief Financial Officer

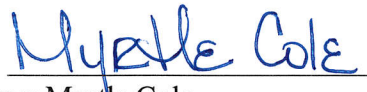
SAN DIEGO FACILITIES AND
EQUIPMENT LEASING CORPORATION

By: 
Name: Kevin L. Faulconer
Title: President

APPROVED AS TO FORM:
MARA W. ELLIOTT, City Attorney

By: 
Name: Bret A. Bartolotta
Title: Deputy City Attorney

PUBLIC FACILITIES FINANCING
AUTHORITY OF THE CITY OF SAN
DIEGO

By: 
Name: Myrtle Cole
Title: Chair

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____

Name: Ilse Vlach

Title: Vice President

U.S. BANK NATIONAL ASSOCIATION,
as the Collateral Agent

By: _____

Name: Ilse Vlach

Title: Vice President

UNITED STATES ENVIRONMENTAL
PROTECTION AGENCY

By: 

Name: Andrew R. Wheeler

Title: Acting Administrator

EXHIBIT A

Permitted Investments

Amounts held overnight in the Funds and Accounts established under Section 6 of the Agreement may be invested until applied pursuant to Sections 7 and 9 of the Agreement in any cash sweep or similar account arrangement of or available to the Collateral Agent, the investments of which are limited to investments described in clauses (1), (2), (3) and (5) below and any money market fund, the entire investments of which are limited to investments described in clauses (1), (2), (3) and (4) below and which money market fund is rated, at the time of purchase, by at least one national statistical rating organization in its highest rating category (without regard to any refinement or gradation of such rating category by a plus or minus sign or a numeral).

(1) Federal Securities or Federal Certificates where:

“Federal Securities” means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Funding Corporation which constitute interest strips) if held by a custodian on behalf of the Collateral Agent; obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; and pre-refunded municipal obligations rated, at the time of purchase, by Moody’s Investors Service and Standard & Poor’s Ratings Services in their highest rating category (without regard to any refinement or gradation of such rating category by a plus or minus sign or a numeral); provided that “structured securities” (including flip notes, range notes, inverse floaters and step-ups) will not be considered Federal Securities; provided further that floaters (based on single, interest rate based indices) and callable securities of the above-enumerated agencies may be treated as Federal Securities; and

“Federal Certificates” means evidences of indebtedness or ownership of proportionate interests in future principal and interest payments of Federal Securities, including depository receipts thereof, wherein (i) a bank or trust company acts as custodian and holds the underlying Federal Securities; (ii) the owner of the Federal Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Federal Securities; and (iii) the underlying Federal Securities are held in trust in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian or any person claiming through the custodian, or any person to whom the custodian may be obligated.

(2) The following listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(A) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(B) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

(C) Federal Home Loan Banks (FHL Banks) consolidated debt obligations;

(D) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(E) The senior debt obligations of Resolution Funding Corporation (RFCO), Financing Corporation (FICO) and Tennessee Valley Authority (TVA);

(3) Obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing, that are rated, at the time of purchase, in the highest rating category (without regard to any refinement or gradation of such rating category by a plus or minus sign or a numeral) by two national statistical rating organizations.

(4) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. Investments under this subdivision shall be rated "AA" or better by a national statistical rating organization.

(5) Any repurchase agreement: (A) with (i) any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Collateral Agent), or a state-licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars (\$100,000,000) and having short-term debt which is rated, at the time of the purchase, by two national statistical rating organizations in one of the three highest short-term rating categories; or (ii) any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York; and (B) which agreement is secured by any one or more of the securities and obligations described in clause (1) or (2) above and having maturities equal to or less than 5 years from the date of delivery, which shall have a market value (valued at least monthly) not less than 102% of the principal amount of such investment and shall be placed with the Collateral Agent or other fiduciary, as custodian for the Collateral Agent, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement. The entity executing each such repurchase agreement required to be so secured shall furnish the Collateral Agent with an undertaking satisfactory to the Collateral Agent that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least

monthly) will be an amount equal to 102% the principal amount of such repurchase agreement, and the Collateral Agent shall be entitled to rely on each such undertaking.

EXHIBIT B

Fee Schedule



U.S. Bank Customer Confidential

**Schedule of Fees for Services as
Collateral Agent
CITY OF SAN DIEGO
SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION**

CTS01010A	Acceptance Fee The acceptance fee includes the administrative review of documents, initial set-up of the account, and other reasonably required services up to and including the closing. This is a one-time, non-refundable fee, payable at closing.	\$1,000.00
CTS04200	Collateral Agent Annual fee for the standard collateral agent services associated with the administration of the account. Administration fees are payable in advance.	\$2,000.00
CTS10100	Investment Trades - SEI Charge per trade to buy or sell investments, excluding automated sweep transactions. **Automatic sweeping of cash into money market funds is not considered a "trade" for the purposes of this fee. However, applicable fees are disclosed in the "Automatic Money Market Investments" authorization letter or the fund prospectus provided	\$25.00
CTS10880	Disbursement / Draw - SEI Charge per item disbursed. Includes the wire or check fee.	\$25.00
CTS16156B	Legal Expenses Includes fees and expenses of legal counsel as well as the rendering of a standard legal opinion if required. Not to exceed	\$7,500.00
	Direct Out of Pocket Expenses Reimbursement of expenses associated with the performance of our duties, including but not limited to publications, legal counsel after the initial close, travel expenses and filing fees.	At Cost
	Extraordinary Services Extraordinary Services are duties or responsibilities of an unusual nature, including termination, but not provided for in the governing documents or otherwise set forth in this schedule. A reasonable charge will be assessed based on the nature of the services and the responsibility involved. At our option, these charges will be billed at a flat fee or at our hourly rate then in effect.	

Account approval is subject to review and qualification. Fees are subject to change at our discretion and upon written notice. Fees paid in advance will not be prorated. The fees set forth above and any subsequent modifications thereof are part of your agreement. Finalization of the transaction constitutes agreement to the above fee schedule, including agreement to any subsequent changes upon proper written notice. In the event your transaction is not finalized, any related out-of-pocket expenses will be billed to you directly. Absent your written instructions to sweep or otherwise invest, all sums in your account will remain uninvested and no accrued interest or other compensation will be credited to the account. Payment of fees constitutes acceptance of the terms and conditions set forth.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT:

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a Trust or other legal entity we will ask for documentation to verify its formation and existence as a legal entity. We may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

August 24, 2018
Revised on September 18, 2018

EXHIBIT C

Form of Counterpart to Collateral Agency, Account and Assignment Agreement

IN WITNESS WHEREOF, the undersigned has caused this Counterpart dated as of [_____, 20__] (this “**Counterpart**”) to the Collateral Agency, Account and Assignment Agreement dated as of [____], 2018 (as the same may be amended, amended and restated, supplemented or otherwise modified from time to time, the “**Agreement**”), to be duly executed and delivered by its duly authorized officer. Upon execution and delivery of this Counterpart to the Borrower and the Collateral Agent and the acknowledgment and acceptance of such Counterpart by the Borrower and the Collateral Agent, the undersigned shall be a [Holder] [Holder Representative] under the Agreement and shall be as fully a party to the Agreement as if such [Holder] [Holder Representative] were an original signatory to the Agreement.

[Name of Holder or Holder Representative]

By _____
Name _____
Title _____

Notice Address:

ACKNOWLEDGED AND ACCEPTED:

U.S. BANK NATIONAL ASSOCIATION,
as Collateral Agent

By _____
Name _____
Title _____

CITY OF SAN DIEGO,
as Borrower

By _____
Name _____
Title _____